

OUTSOURCING ARMY MODERNIZATION RUNS COUNTER TO THE PUBLIC INTEREST

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Author's Note: This article presents the academic argument that should our Nation outsource its information infrastructure, it runs the risk of becoming hostage to commercial interests. Further, as the Nation goes forward with the Global Information Grid and the objective force, it needs to ensure that inherently military communication functions on which this strategy relies remain a part of the internal command and control of our soldiers and their leaders.

Introduction

Nowhere does the battle for or against outsourcing rage more fiercely than in the halls of the Pentagon, seat of the most powerful military leaders in the world. This bastion against tyranny and oppression finds itself in the throes of a debate that might, over time, cede its hegemony to commercial forces and cause it to lose forever the tools it will need to fight on distant battlefields.

Let us frame the debate. In the April 2000 issue of *Government Executive*, Management Consultant Paul Kuzniar writes that there are stark differences between the role of the private sector and a government that must provide for the common defense. Both business and government have many goals, Kuzniar explains. However, the foremost goal for business is making money, while the government's goal is to spend money to ensure the well-being of its citizens.

As outlined in Kuzniar's article, five basic principles must be considered in comparing business and government: purpose, people, time, money, and hierarchy. In each case, the interests of business and government are at significant odds. This

article applies these principals to case studies to demonstrate that outsourcing of information technology (IT) may lead to national security perils from which the Nation may not recover.

Background

Contracting, or outsourcing, is not a new phenomenon in America. There were contractors on battlefields as far back as the Revolutionary War. More recently, the Eisenhower administration made it a part of U.S. policy not to impede business. President Eisenhower vowed that the federal government would not start or carry out any commercial activity to provide a service or product for its own use if such a product or service could be procured from private enterprise through ordinary business channels. Government's work, he added, must be confined to those tasks that it alone must perform.

In 1966, the Office of Management and Budget (OMB) issued OMB Circular A-76, *Performance of Commercial Activities*, which spelled out the processes needed to divest government of all but its "core competencies." Since 1966, the Pentagon has engaged in a robust contracting-out program. According to a *Business Executives for National Security* special report, nearly every support function in DOD has been outsourced in some way. Figures indicate, for example, that nearly 47 percent of data processing has been outsourced.

Case Studies

The outsourcing process at White Sands Missile Range (WSMR), NM, provides an excellent case in point. According to its former Commander,

BG Harry D. Gatanas, WSMR "survived" 22 A-76 studies. This occurred because mission posture and a streamlined, better-resourced workforce led arbitrators to conclude that the government could perform the functions more effectively.

Let's examine the case at WSMR in context with the five principals. The primary purpose of WSMR is to conduct missile tests. A-76 studies concluded that the in-house workforce possessed the requisite skill necessary to perform this function. In addition, it found that WSMR met the "people principle" test in that its workforce understood how to run a complex process like missile testing. Furthermore, once they were provided the necessary tools (faster computers, a flattened organizational structure, and capital equipment) to improve their efficiency, the workforce clearly demonstrated they were up to the task. In fact, the A-76 studies might have done the existing workforce a favor by forcing the organization to modernize its operation! Finally, the A-76 study team found that in the area of missile testing, having a long-term view of the mission of the range was far preferable to contracting the function out. White Sands presents a classic public good-over-money case and should be held up as a model for others undergoing A-76 studies.

John Thorpe, the Deputy Chief of Information Management for U.S. Army Pacific, points out that mission and location are also factors in weighing outsourcing decisions. In Hawaii, all Army telephone services operate on the Hawaii Island Telephone System. This end-to-end system was outsourced several years ago and, according to Thorpe, the cost of this

“imminently affordable” system keeps going up by as much as 30 percent a year!

Okinawa and Japan offer us a glimpse at another issue critical to our discussion. In these locations, where the Army’s 516th Signal Brigade has two battalions, the Japanese workforce plays an important role. In fact, under what is called the Master Labor Contract, all Japanese salaries are paid by the Japanese government. To outsource these operations would increase the cost of doing business.

Still, one might postulate that on the U.S. mainland, with so many available IT firms, why not simply conduct A-76 studies on all installations with an eye toward outsourcing the information technology business area? This would, on the surface, appear to be a good idea. However, under provisions found in the Federal Activities Reform Act of 1998, for a federal function to be outsourced, it must be considered nongovernmental. This provision should offer specific relief to DOD.

For example, a DOD agency’s IT communications functions may not be considered inherently governmental, but using those functions to conduct command and control activities in a combat situation would.

Described in a slightly different way in a recent General Services Administration (GSA) white paper, “In general, inherently governmental functions are those tasks that are so intimately related to public interest that they need to be performed by government employees.”

In the area of IT infrastructure modernization, the issue of command and control has never been more important. To be sure, many of the information management tools can and are being purchased through commercial off-the-shelf means. This does not, however, mean that the people engineering, installing, and operating them should also be outsourced. Experience at the Huntsville, AL, Directorate of Information Management (DOIM) is another case in point. According to DOIM officials, the entire information management function was contracted out several years ago. Now, efforts to reverse their earlier decision are underway through the A-76 process. These officials cite cost and loss of control as the reasons for their decision.

Other Concerns

Reversibility is a concern. Critics of outsourcing express concern that once IT functions have been turned over to a contractor, it will be too costly to reverse the situation and return them in-house. While it’s possible to reverse outsourcing arrangements, it is important to note that the objective force will require end-to-end systems command and control, and the advent of hostilities is no time to attempt to revert back to in-house management of these end-to-end systems.

As DOD reviews its information management requirements for the next 25 years, interoperability between soldiers on the battlefield and their sustaining bases will become paramount. Simply put, information management is a core military function, now more than ever.

Unfortunately, these purely strategic (and tactical) concerns have not slowed down the A-76 study process. In the May 1999 issue of *Government Executive*, Associate Editor Katherine McIntire Peters writes that the Pentagon expects to deliver \$11 billion in savings by 2005 and achieve recurring annual savings of \$3 billion thereafter. Peters asserts that DOD will conduct competition studies involving approximately 229,000 positions, which is three times the number of positions it looked at from 1979 through 1996. She points out that these studies form the basis for the Pentagon’s rosy estimate.

The Army as an institution exists as a servant of the national good. IT will provide the strategic and tactical backbone of the Army in the years to come. In fact, IT will be as much a part of the Army as the warfighter it supports, and as such cannot be separated out because of a shortsighted need to show cost savings. According to a GSA report, the decision process for outsourcing must be directly interrelated with the long-range, strategic planning process.

The Outsourcing Institute, referenced in the same GSA report, suggests that overemphasis on short-term benefits is a clear sign of an outsourcing project that will prove unsuccessful. When the strategic reasons for outsourcing are overshadowed by short-term business concerns, companies are often disappointed.

Further, it remains critical to retain an in-house workforce because this is the only way the Army can look into the

future and define the evolving information infrastructure it will need to support the revolution in business and military affairs. Agreed, contracting out specific, short-term projects as part of a step-by-step process will be a critical component, but an in-house workforce will operate according to its constitutionally mandated “best interests of the Nation.”

One must also consider the inherent differences between the operating styles of the contractor and the Army. As noted by Kuzniar, the business of government revolves around politics, or doing the peoples’ work. This is antithetical to the way the business community goes about things. Nowhere is this more true than in the area of IT modernization.

The structure of program managers, cross-functional commands, evolving guidance from higher-ups, and the nature of providing national Defense make whole-systems outsourcing undesirable. This process, which leads to a consensus, has and will continue to serve the public interest because it affords all stakeholders a chance to provide input. It also allows for long-term structural changes on installations as new missions or changes in new missions are developed. Simply put, making such changes in a contractor-owned, contractor-operated world would run counter to the public interest at best, and reduce responsiveness to changing world events at worst. This would lead to reduced combat effectiveness, regardless of the efficiency it might temporarily create.

Conclusion

As the Army moves toward realizing the promise of Joint Vision 2020 and the knowledge-centric Global Information Grid, it must ensure that the right outsourcing decisions are made. The Army cannot base its modernization decisions solely on savings because to do so might undermine its ability to provide end-to-end connectivity.

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